

Message Text

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INFO OCT-01 ISO-00 SP-02 ICA-11 AID-05 EB-08 NSC-05
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R 201913Z APR 78
FM AMEMBASSY PARIS
TO SECSTATE WASHDC 0390
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PASS TREASURY AND FEDERAL RESERVES

E.O.11652: N/A
TAGS: EFIN, FR
SUBJECT: BARRE PRESENTS ECONOMIC PROGRAM TO THE
NEW NATIONAL ASSEMBLY

ROME FOR AMBASSADOR HARTMAN

A. THE ECONOMIC POLICY DECLARATION OF THE NEW
BARRE GOVERNMENT IMPLIES NO BASIC CHANGE IN MONETARY
AND FISCAL POLICY ORIENTATION. IN PRESENTING HIS
ECONOMIC PROGRAM ON APRIL 19, BARRE EMPHASIZED HIS
CONTINUING COMMITMENT TO THE STABILIZATION OBJECTIVES
THAT HE HAS PURSUED SINCE SEPTEMBER 1976. HE MADE IT
CLEAR THAT CAREFUL MONETARY GROWTH TARGETS WOULD
CONTINUE TO BE OBSERVED, ALONG WITH VIGILANCE ON
INFLATION. ALTHOUGH A NUMBER OF SPECIFIC MEASURES
(ENUMERATED BELOW) GO IN THE DIRECTION OF GREATER
STIMULUS, BARRE CLEARLY IMPLIED THAT THEIR TIMING
AND EXTENT WOULD DEPEND ON THE ABILITY OF THE
ECONOMY TO SUSTAIN THEM WHILE CONTINUING TO MOVE
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TOWARDS EQUILIBRIUM. PERHAPS THE MOST DIFFICULT
CHALLENGE FOR BARRE WILL BE TO RESTORE THE
APPEARANCES OF COLLECTIVE BARGAINING WHILE AT THE
SAME TIME AVOIDING A REACCELERATION OF WAGES THAT
WOULD PUT HIS STABILIZATION OBJECTIVES IN JEOPARDY.
HE CLEARLY INTENDS TO SUCCEED IN ACHIEVING BOTH
OBJECTIVES SIMULTANEOUSLY, BUT ONE HAS THE

IMPRESSION THAT IF FORCED TO A CHOICE, HE WOULD
LEAN TOWARDS ECONOMIC RIGOR.

B. THE PRINCIPAL NEW ECONOMIC MEASURES ANNOUNCED
BY BARRE WERE:

1. A GRADUAL RETURN TO PRICE FREEDOM IN THE
INDUSTRIAL SECTOR.

2. INCREASED PRICES FOR PUBLIC SERVICES, DESIGNED
TO DIMINISH GOVERNMENT SUBSIDIES TO THE NATIONALIZED
ENTERPRISES FROM 30 BILLION FRANCS TO 20 BILLION
ANNUALLY.

3. A CEILING ON TAX RATES FOR 1978 AND 1979, TO
INCLUDE THE TVA, PERSONAL AND CORPORATE INCOME
TAXES, AND PAYROLL TAXES FOR SOCIAL SECURITY.

4. ACCELERATED INCREASES IN THE MINIMUM WAGE (SMIC)
AND IN COMPENSATION FOR MANUAL LABOR, WITH RISES IN
THE SMIC TO OCCUR ON MAY 1, JULY 1 AND DECEMBER 1.
OTHER WAGES TO RISE MORE SLOWLY, PARTICULARLY AT
THE HIGH END OF THE SALARY SCALE.

5. CONTINUATION OF SPECIAL INCENTIVES FOR HIRING THE
YOUNG, INCLUDING GOVERNMENT ON-THE-JOB TRAINING
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CONTRACTS WITH CORPORATIONS AND A 50 PERCENT
REMISSION OF SOCIAL SECURITY TAXES ON YOUNG WORKERS.

6. NEW MEASURES TO STIMULATE CORPORATE INVESTMENT,
INCLUDING A TAX EXEMPTION FOR DIVIDENDS ON COMMON
STOCK AND THE CREATION OF NON-VOTING PREFERRED
STOCK WITH PRIORITY RIGHTS TO DIVIDENDS.

7. REVISION OF INTEREST RATES TO FAVOR INCREASED LONG
TERM SAVINGS.

8. DEVELOPMENT OF A NEW LAW, IN CONSULTATION WITH
AGRICULTURAL ORGANIZATIONS, DESIGNED TO ENCOURAGE
GREATER AGRICULTURAL PRODUCTIVITY.

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9. A STUDY OF THE DESIRABILITY OF A TAX ON LARGE
FORTUNES, FOR EVENTUAL SUBMISSION TO THE NATIONAL
ASSEMBLY.

C. IN ADDITION, BARRE ANNOUNCED SEVERAL LINES OF
POLICY IN THE LABOR RELATIONS AND SOCIAL WELFARE
FIELD WITH SIGNIFICANT ECONOMIC IMPLICATIONS:

1. A REVIVAL OF COLLECTIVE BARGAINING, THOUGH
APPARENTLY WITH THE CONTEXT OF CONTINUED LIMITS
ON OVERALL WAGE INCREASES.

2. AN IMPROVEMENT OF WORKING CONDITIONS AND A
SHORTENING OF THE AVERAGE WORK WEEK.

3. ENCOURAGEMENT FOR THE DEVELOPMENT OF OPPORTUNITIES
FOR PART-TIME WORK, PARTICULARLY FOR WOMEN, WITH THE
GOVERNMENT SETTING THE EXAMPLE BY CREATING 10,000
PART-TIME POSITIONS.

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4. IMPROVEMENT OF FAMILY REVENUES, INCLUDING
GUARANTEED ANNUAL INCREASES (IN REAL TERMS) IN FAMILY
ALLOCATION AND ESTABLISHMENT (AS OF 1979) OF A
MINIMUM FAMILY REVENUE FOR FAMILIES WITH THREE

CHILDREN OR MORE.

5. CONTINUED INCREASES IN ALLOCATIONS TO THE AGED.
GAMMON

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